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10/676,056	09/30/2003	Emerson P. Jones	06878.114502	7752

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ART UNIT	PAPER NUMBER
3694	

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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

PTOL-90A (Rev. 04/07)

	Application No.	Applicant(s)
Office Action Summary	10/676,056	JONES ET AL.
	Examiner	Art Unit	
	Shahid R. Merchant	3694	

-- *The MAILING DATE of this communication appears on the cover sheet with the correspondence address* --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE <u>3</u> MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION. ·

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1) ☒ Responsive to communication(s) filed on <u>06 July 2007</u>.

2a) ☒ This action is **FINAL**.   2b) ☐ This action is non-final.

3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4) ☒ Claim(s) <u>1-16</u> is/are pending in the application.

    4a) Of the above claim(s) <u>2 and 10</u> is/are withdrawn from consideration.

5) ☐ Claim(s) _____ is/are allowed.

6) ☒ Claim(s) <u>1,3-9 and 11-16</u> is/are rejected.

7) ☐ Claim(s) _____ is/are objected to.

8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9) ☐ The specification is objected to by the Examiner.

10) ☒ The drawing(s) filed on <u>06 July 2007</u> is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.

    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

    a) ☐ All   b) ☐ Some * c) ☐ None of: .

      1. ☐ Certified copies of the priority documents have been received.

      2. ☐ Certified copies of the priority documents have been received in Application No. _____.

      3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)

2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)

3) ☒ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date <u>July 6, 2007</u>.

4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .

5) ☐ Notice of Informal Patent Application

6) ☐ Other: _____.

DETAILED ACTION

Status of the Claims

1.   This action is in response to the amendment filed on July 6, 2007. Claims 1-16

are pending. Claims 2 and 10 are canceled. Claims 1, 5, 9 and 13 have been

amended.

Response to Arguments

2.   Applicant's arguments filed July 7, 2007 have been fully considered but they are

not persuasive.

In regards to claims 1 and 9, Applicant argues that Nikolai does not teach an

iterative calculation by changing at least the value of the stock price associated with the

entity. Examiner disagrees. On page 1199, Nikolai teaches using an average market

price of a common stock during a period to compute earnings per share. Nikolai also

uses an end of the period market price of a common stock during a period to compute

earnings per share. He repeats or iteratively calculates the earnings per share

calculation using different stock prices. . In regards to the stock options and warrants

calculation, it would have been obvious to one skilled in the art to modify the teachings

of Nikolai and use stock prices other than average stock price because the substitution

would have yielded predictable results to one skill in the arts.

Claim Rejections - 35 USC § 112

3.   The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly
claiming the subject matter which the applicant regards as his invention.

4.   Claims 1 and 9 rejected under 35 U.S.C. 112, second paragraph, as being

indefinite for failing to particularly point out and distinctly claim the subject matter which

applicant regards as the invention. Applicant states <u>iteratively changing at least the</u>

<u>value of the stock price associated with the entity</u>, however the Earnings Per Share

formula below

$$EPS = DPS_0 + \frac{Earnings_0 - N_o x\ DPS_0 - Coupon}{N_o + \Delta N_{eff}}$$

does not contain any variable which is associated with a price of a stock. Therefore, it

is unclear how a change in stock price can change the earnings per share (EPS) using

the formula above.

5.   Claims 3-8 and 11-16 are rejected for incorporating the errors of their respective

base claim dependency.

Claim Rejections - 35 USC § 103

6.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all

obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set
> forth in section 102 of this title, if the differences between the subject matter sought to be patented and
> the prior art are such that the subject matter as a whole would have been obvious at the time the
> invention was made to a person having ordinary skill in the art to which said subject matter pertains.
> Patentability shall not be negatived by the manner in which the invention was made.

7.   Claims 1-4, 8-12 and 16 rejected under 35 U.S.C. 103(a) as being unpatentable

over Intermediate Accounting, 5th Edition by Loren Nikolai and John Bazley (see PTO-

892, Ref. U). Hereinafter Nikolai and Bazley.

8.   As per claim 1, Nikolai and Bazley teach a method for characterizing earnings of

an entity, which method comprises the steps of:

inputting data associated with the entity including a number of common shares

outstanding, a value of earnings, a value of dividends per share, a value of coupon

payments and a change in the effective number of common shares outstanding, which

change in the effective number of common shares outstanding reflects the possibility,

based upon an economically reasonable analysis in light of market conditions including

a value of a stock price associated with the entity, of conversion of a convertible

security;

iteratively calculating a plurality of values of earnings per share associated with

the entity based upon the input data, wherein each value of earnings per share is

calculated at least in part using the formula

$$EPS = DPS_0 + \frac{Earnings_0 - N_0 x \; DPS_0 - Coupon}{N_0 + \Delta N_{eff}}$$

wherein $Earnings_0$ equals the input value of earnings, N_0 equals the input number of

common shares outstanding, DPS_0 equals the input value of dividends per share,

Coupon equals the input value of coupon payments, and ΔN_{eff} equals the input change

in the effective number of common shares outstanding and wherein the iterative

calculating the plurality of values of earnings per share is carried out by iteratively

changing at least the value of the stock price associated with the entity;

iteratively calculating a plurality of values of earnings per share risk associated

with the entity based upon at least a plurality of different numbers of shares outstanding;

and

recording the calculated earnings per share values associated with the entity and

the calculated earnings per share risk values associated with the entity (see Ref. U,

Chapter 22, pages 1183-1205).

Nikolai and Bazley do not explicitly teach the automating (using of computer) of
claim 1.

It was known at the time of the invention that merely providing an automatic

means to replace a manual activity which accomplishes the same result is not sufficient

to distinguish over the prior art, In re Venner, 262 F.2d 91, 95, 120 USPQ 193, 194

(CCPA 1958). For example, simply inputting numbers into a formula for calculating

Earnings Per Share gives you just what you would expect from the manual step as

shown in Reference U (Nikolai and Bazley). In other words there is no enhancement

found in the claimed calculation. The claimed calculation using a computer only

provides automating the manual activity. A computer can simply calculate the formula

faster. The result is the same.

It would have been obvious to a person of ordinary still in the art at the time of

the invention to automate (use computer) the calculation of Earnings Per Share using

the formula as described above because this would speed up the process of giving an

investor data regarding an investment, which is purely known, and an expected result

from automation of what is known in the art.

9.   As per claim 3, Nikolai and Bazley teach the method of claim 1 as described

above. Nikolai and Bazley further teach wherein the entity is a public corporation (see

Ref. U, Chapter 22, pages 1183-1205).

10.   As per claim 4, Nikolai and Bazley teach the method of claim 3 as described

above. Nikolai and Bazley further teach wherein at least one of the calculated earnings

per share values and the calculated earnings per share risk values is applied to a

financial presentation relating to at least one of a balance sheet and an earnings per

share metric (see Ref. U, Chapter 22, pages 1197-1198, Exhibit 22-7).

11.   As per claim 8, Nikolai and Bazley teach the method of claim 3 as described

above. Nikolai and Bazley further teach wherein the economically reasonable analysis

in light of market conditions takes into account a conversion premium associated with

the convertible security (see Ref. U, Chapter 22, pages 1183-1205).

12.   As per claim 9, Nikolai and Bazley teach a method implemented by a

programmed computer system for characterizing earnings of an entity, which method

comprises the steps of:

     inputting data associated with the entity including a number of existing shares, a

value of earnings, a value of an equity dividend, a value of an attributed after-tax

interest expense from a convertible security, and a number of attributed shares from the

convertible security, which number of attributed shares reflects the possibility, based

upon an economically reasonable analysis in light of market conditions including a value

of a stock price associated with the entity, of conversion of the convertible security;

     iteratively calculating a plurality of values of earnings per share associated with

the entity based upon the input data, wherein each value of earnings per share is

calculated at least in part using the formula: *EPS=dividend per share+retained EPS*;

     wherein dividend per share=the value of the equity dividend/the number of

existing shares; and wherein retained EPS=(earnings without taking effect of any

interest expense from the convertible security minus attributed after-tax interest

expense from the convertible security)/(the number of existing shares plus the number

of attributed shares from the convertible security);

iteratively calculating a plurality of values of earnings per share risk associated

with the entity based upon at least a plurality of different numbers of shares outstanding;

and

recording the calculated earnings per share values associated with the entity and

the calculated earnings per share risk values associated with the entity;

wherein the iterative calculating the plurality of values of earnings per share is

carried out by iteratively changing at least the value of the stock price associated with

the entity. (see Ref. U, Chapter 22, pages 1183-1205).

Nikolai and Bazley do not explicitly teach the automating (using of computer) of
claim 1.

It was known at the time of the invention that merely providing an automatic

means to replace a manual activity which accomplishes the same result is not sufficient

to distinguish over the prior art, In re Venner, 262 F.2d 91, 95, 120 USPQ 193, 194

(CCPA 1958). For example, simply inputting numbers into a formula for calculating

Earnings Per Share gives you just what you would expect from the manual step as

shown in Reference U (Nikolai and Bazley). In other words there is no enhancement

found in the claimed calculation. The claimed calculation using a computer only

provides automating the manual activity. A computer can simply calculate the formula

faster. The result is the same.

It would have been obvious to a person of ordinary still in the art at the time of

the invention to automate (use computer) the calculation of Earnings Per Share using

the formula as described above because this would speed up the process of giving an

investor data regarding an investment, which is purely known, and an expected result
from automation of what is known in the art.

13.   As per claim 11, Nikolai and Bazley teach the method of claim 9 as described
above. Nikolai and Bazley further teach wherein the entity is a public corporation (see
Ref. U, Chapter 22, pages 1183-1205).

14.   As per claim 12, Nikolai and Bazley teach the method of claim 9 as described
above. Nikolai and Bazley further teach wherein at least one of the calculated earnings
per share values and the calculated earnings per share risk values is applied to a
financial presentation relating to at least one of a balance sheet and an earnings per
share metric (see Ref. U, Chapter 22, pages 1197-1198, Exhibit 22-7).

15.   As per claim 16, Nikolai and Bazley teach the method of claim 9 as described
above. Nikolai and Bazley further teach wherein the economically reasonable analysis
in light of market conditions takes into account a conversion premium associated with
the convertible security (see Ref. U, Chapter 22, pages 1183-1205).

16.   Claim 5 rejected under 35 U.S.C. 103(a) as being unpatentable over
Intermediate Accounting, 5th Edition by Loren Nikolai and John Bazley (see PTO-892,

Ref. U). as applied to claim 2 above, and further in view of Makivic, U.S. Patent No. 6,061,662 (see attached PTO-892, Ref. A).

17.   As per claim 5, Nikolai and Bazley teach the method of claim 1 as described

above. Nikolai and Bazley do not explicitly teach wherein the iterations and calculations

are carried out at least in part using a Monte Carlo simulation.

Makivic teaches wherein the iterations and calculations are carried out at least in

part using a Monte Carlo simulation (see abstract).

Therefore, it would be prima facie obvious to a person of ordinary skill in the art

at the time of the invention to combine the teachings of Nikolai, Bazley and Makivic to

use Monte Carlo simulation for iterations and calculations because it is very flexible and

can be applied to almost any problem as taught by Makivic (see column 1, lines 41-47).

18.   Claims 6 and 7 rejected under 35 U.S.C. 103(a) as being unpatentable over

Intermediate Accounting, 5th Edition by Loren Nikolai and John Bazley (see PTO-892,

Ref. U). as applied to claim 1 above, and further in view of Official Notice.

19.   As per claims 6 and 7, Nikolai and Bazley teach the method of claim 1 as

described above. Nikolai and Bazley do not explicitly teach wherein the outputted

calculated earnings per share values and the outputted calculated earnings per share

risk values are plotted against one another and wherein the plot of calculated earnings

per share values versus calculated earnings per share risk values is credit adjusted.

Official Notice is taken that plotting two or more variables on a graph against one

another is very common and well known in the art.

Therefore, it would be obvious to a person of ordinary skill in the art at the time of

the invention to combine the teachings of Nikolai, Bazley and Official Notice to plot

variables on a graph against each other because it allows one to see a relationship

between the variables.

20.   Claim 13 rejected under 35 U.S.C. 103(a) as being unpatentable over

Intermediate Accounting, 5th Edition by Loren Nikolai and John Bazley (see PTO-892,

Ref. U). as applied to claim 10 above, and further in view of Makivic, U.S. Patent No.

6,061,662 (see attached PTO-892, Ref. A).

21.   As per claim 13, Nikolai and Bazley teach the method of claim 9 as described

above. Nikolai and Bazley do not explicitly teach wherein the iterations and calculations

are carried out at least in part using a Monte Carlo simulation.

Makivic teaches wherein the iterations and calculations are carried out at least in

part using a Monte Carlo simulation (see abstract).

Therefore, it would be prima facie obvious to a person of ordinary skill in the art

at the time of the invention to combine the teachings of Nikolai, Bazley and Makivic to

use Monte Carlo simulation for iterations and calculations because it is very flexible and

can be applied to almost any problem as taught by Makivic (see column 1, lines 41-47).

22.   Claims 14 and 15 rejected under 35 U.S.C. 103(a) as being unpatentable over

Intermediate Accounting, 5th Edition by Loren Nikolai and John Bazley (see PTO-892,

Ref. U). as applied to claim 9 above, and further in view of Official Notice.

23.   As per claims 14 and 15, Nikolai and Bazley teach the method of claim 1 as

described above. Nikolai and Bazley do not explicitly teach wherein the outputted

calculated earnings per share values and the outputted calculated earnings per share

risk values are plotted against one another and wherein the plot of calculated earnings

per share values versus calculated earnings per share risk values is credit adjusted.

Official Notice is taken that plotting two or more variables on a graph against one

another is very common and well known in the art.

Therefore, it would be obvious to a person of ordinary skill in the art at the time of the

invention to combine the teachings of Nikolai, Bazley and Official Notice to plot

variables on a graph against each other because it allows one to see a relationship

between the variables.

Conclusion

24.   **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time

policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE

MONTHS from the mailing date of this action. In the event a first reply is filed within

TWO MONTHS of the mailing date of this final action and the advisory action is not

mailed until after the end of the THREE-MONTH shortened statutory period, then the

shortened statutory period will expire on the date the advisory action is mailed, and any

extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of

the advisory action. In no event, however, will the statutory period for reply expire later

than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the

examiner should be directed to Shahid R. Merchant whose telephone number is 571-

270-1360. The examiner can normally be reached on First Friday Off.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's

supervisor, James P. Trammel can be reached on 571-272-6712. The fax phone

number for the organization where this application or proceeding is assigned is 571-

273-8300.

Information regarding the status of an application may be obtained from the

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USPTO Customer Service Representative or access to the automated information

system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

SRM

/ELLA COLBERT
PRIMARY EXAMINER